

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Downriver Community Conference</u>	County Wayne
Audit Date September 30, 2005	Opinion Date January 9, 2006	Date Accountant Report Submitted To State: June 6, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48304
Accountant Signature 			

Downriver Community Conference
(a local government consortium)

Financial Report
with Supplemental Information
September 30, 2005

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference (DCC) (a local government consortium) as of and for the year ended September 30, 2005, which collectively comprise Downriver Community Conference's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Community Conference's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of September 30, 2005 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Board of Directors
Downriver Community Conference

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Community Conference's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2006 on our consideration of Downriver Community Conference's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

January 9, 2006

Downriver Community Conference

Management's Discussion and Analysis

Our discussion and analysis of Downriver Community Conference's (DCC) financial performance provides an overview of DCC's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with DCC's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2005:

- The financial report for the year ended September 30, 2004 reflects the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial information for all governmental and business activities, in addition to reporting financial information at the fund level for both 2005 and 2004.
- The Employment and Training Department continues to search for supplemental funding to its existing grants. Funding for this department was increased by \$93,075 for the 2005-2006 fiscal year.
- During 2005, DCC completed its first HIB grant. The grant assisted dislocated and incumbent workers with technology training. DCC continues to seek other federal funding to assist with training needs.
- The Transportation Department received \$676,592 in new funding for the Job Access Reverse Commute grant. DCC incurred \$111,824 in expenditures for the current year. This grant will run until December 31, 2006.
- The Weatherization Department received \$50,000 in low-income assistance funding to educate low-income customers on energy efficiency. After training, customers were able to receive a \$50 to \$200 credit on his/her gas bill. DCC received \$275,000 for the 2006 year for energy assistance.
- The Auto Alliance grant has been extended until June 30, 2006. DCC and Auto Alliance continue to work on obtaining additional funding for training.
- The Economic Development Department received a new EPA Brownfield grant in the amount of \$200,000. The Brownfield Job Training grant is a training program in the field of environmental technology, which prepares low-income trainees for future employment in the environmental fields.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of DCC as a whole and present a longer-term view of DCC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities and granting agencies have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the members' assessments and grant monies were spent during the year, as well as how much is available for future spending. Fund financial statements also report DCC's operations in more detail than the government-wide financial statements.

DCC as a Whole

The following table shows, in a condensed format, the net assets (deficit) as of September 30, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 816,548	\$ 2,660,312	\$ -	\$ -	\$ 816,548	\$ 2,660,312
Noncurrent assets	<u>2,199,571</u>	<u>2,335,563</u>	<u>-</u>	<u>-</u>	<u>2,199,571</u>	<u>2,335,563</u>
Total assets	3,016,119	4,995,875	-	-	3,016,119	4,995,875
Liabilities						
Current liabilities	917,856	2,755,102	221,245	260,239	1,139,101	3,015,341
Long-term liabilities	<u>1,823,500</u>	<u>1,976,671</u>	<u>-</u>	<u>-</u>	<u>1,823,500</u>	<u>1,976,671</u>
Total liabilities	<u>2,741,356</u>	<u>4,731,773</u>	<u>221,245</u>	<u>260,239</u>	<u>2,962,601</u>	<u>4,992,012</u>
Net Assets (Deficit)						
Invested in capital assets - Net of related debt	(11,942)	11,844	-	-	(11,942)	11,844
Restricted	232,800	201,245	-	-	232,800	201,245
Unrestricted (deficit)	<u>53,905</u>	<u>51,013</u>	<u>(221,245)</u>	<u>(260,239)</u>	<u>(167,340)</u>	<u>(209,226)</u>
Total net assets (deficit)	<u>\$ 274,763</u>	<u>\$ 264,102</u>	<u>\$ (221,245)</u>	<u>\$ (260,239)</u>	<u>\$ 53,518</u>	<u>\$ 3,863</u>

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's combined net assets for both governmental and business-type activities totaled \$53,518 for fiscal year 2005. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use and invested in capital assets, total approximately \$221,000. The unrestricted deficit, the part of net assets that can be used to finance day-to-day operations, totals approximately \$167,000.

The following table shows the changes of the net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 131,917	\$ 155,399	\$ 459,509	\$ 426,724	\$ 591,426	\$ 582,123
Operating grants and contributions	9,364,480	9,640,214	-	-	9,364,480	9,640,214
General revenue:						
Membership assessments	83,125	87,875	-	-	83,125	87,875
Unrestricted investment earnings and other	(1,897)	392	4,715	1,811	2,818	2,203
Total revenue	9,577,625	9,883,880	464,224	428,535	10,041,849	10,312,415
Program Expenses						
General government	355,411	399,167	-	-	355,411	399,167
Employment and training	5,164,669	6,031,590	-	-	5,164,669	6,031,590
Economic development	2,994,364	2,661,736	-	-	2,994,364	2,661,736
Weatherization	697,274	556,698	-	-	697,274	556,698
Transportation	355,246	248,675	-	-	355,246	248,675
Buildings and equipment	-	-	425,230	425,744	425,230	425,744
Total program expenses	9,566,964	9,897,866	425,230	425,744	9,992,194	10,323,610
Change in Net Assets	\$ 10,661	\$ (13,986)	\$ 38,994	\$ 2,791	\$ 49,655	\$ (11,195)

Governmental Activities

Governmental activities are those activities (such as employment and training or economic development programs) provided to the constituents of the downriver area. The programs are supported by federal, state, and local grants along with membership assessments paid by the local downriver communities.

The cost of providing services for governmental activities was \$9.6 million for the fiscal year ended September 30, 2005. Since the majority of the programs provided by DCC are financed through grants, revenue recorded was within 1 percent of expenditures.

Business-type Activities

DCC's business-type activities consist of renting vacant space within its building to third parties. Rental and maintenance fees are charges to the third parties.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's Funds

Our analysis of DCC's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DCC as a whole. The DCC board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DCC's major funds for 2005 include the General Fund, the Employment and Training Fund, Economic Development Fund, Weatherization Fund, and Transportation Fund.

The General Fund pays for most of DCC's governmental services. The most significant are payroll and contracted services, which incurred expenses of approximately \$197,000 in 2005 and \$229,000 in 2004.

General Fund Budgetary Highlights

Over the course of the year, DCC amended the budget to take into account events during the year. DCC departments overall stayed below budget, resulting in total expenditures in the General Fund to be approximately \$30,000 below budget. This allowed the General Fund's fund balance to increase from approximately \$25,000 a year ago to approximately \$60,000 at September 30, 2005.

Capital Assets and Debt Administration

At the end of 2005, DCC had \$2.2 million invested in a broad range of capital assets, including buildings, furniture, and equipment. These assets are necessary to carry out the day-to-day operations of DCC.

Contacting DCC's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DCC's finances and to show DCC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Community Conference

Statement of Net Assets (Deficit) September 30, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 123,708	\$ -	\$ 123,708
Internal balances	221,245	(221,245)	-
Due from other governmental units	454,975	-	454,975
Rent receivable	16,620	-	16,620
Restricted assets (Note 8)	232,800	-	232,800
Capital assets - Net (Note 4)	<u>1,966,771</u>	<u>-</u>	<u>1,966,771</u>
Total assets	3,016,119	(221,245)	2,794,874
Liabilities			
Accrued liabilities	442,760	-	442,760
Security deposits	33,481	-	33,481
Deferred revenue (Note 5)	286,402	-	286,402
Noncurrent liabilities (Note 7):			
Due within one year	155,213	-	155,213
Due within more than one year	<u>1,823,500</u>	<u>-</u>	<u>1,823,500</u>
Total liabilities	<u>2,741,356</u>	<u>-</u>	<u>2,741,356</u>
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	(11,942)	-	(11,942)
Restricted for capital projects and debt	232,800	-	232,800
Unrestricted	<u>53,905</u>	<u>(221,245)</u>	<u>(167,340)</u>
Total net assets (deficit)	<u>\$ 274,763</u>	<u>\$ (221,245)</u>	<u>\$ 53,518</u>

Downriver Community Conference

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General	\$ 355,411	\$ 89,740	\$ 213,105
Employment and training	5,164,669	-	5,143,228
Economic development	2,994,364	15,064	2,984,516
Weatherization	697,274	-	695,504
Transportation	355,246	27,113	328,127
Total governmental activities	9,566,964	131,917	9,364,480
Business-type activities - Building and equipment	425,230	459,509	-
Total primary government	<u><u>\$ 9,992,194</u></u>	<u><u>\$ 591,426</u></u>	<u><u>\$ 9,364,480</u></u>
General revenues:			
Membership assessments			
Loss on disposal of fixed assets			
Unrestricted investment earnings			
Total general revenues			
Change in Net Assets			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

Statement of Activities
Year Ended September 30, 2005

Net (Expense) Revenue and Changes in		
Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (52,566)	\$ -	\$ (52,566)
(21,441)	-	(21,441)
5,216	-	5,216
(1,770)	-	(1,770)
(6)	-	(6)
(70,567)	-	(70,567)
-	34,279	34,279
(70,567)	34,279	(36,288)
83,125	-	83,125
(1,897)	-	(1,897)
-	4,715	4,715
81,228	4,715	85,943
10,661	38,994	49,655
264,102	(260,239)	3,863
\$ 274,763	\$ (221,245)	\$ 53,518

Downriver Community Conference

Governmental Funds Balance Sheet September 30, 2005

	Major Funds					Total
	General Fund	Employment and Training Fund	Economic Development Fund	Weatheri- zation Fund	Transpor- tation Fund	Governmental Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 319,721	\$ 234,419	\$ -	\$ 132,570	\$ -	\$ 686,710
Due from other funds (Note 6)	-	1,242	163,700	304	-	165,246
Due from other governmental units	<u>22,512</u>	<u>68,941</u>	<u>236,205</u>	<u>12,396</u>	<u>98,723</u>	<u>438,777</u>
Total assets	<u>\$ 342,233</u>	<u>\$ 304,602</u>	<u>\$ 399,905</u>	<u>\$ 145,270</u>	<u>\$ 98,723</u>	<u>\$ 1,290,733</u>
Liabilities and Fund Balances (Deficit)						
Liabilities						
Bank overdraft	\$ -	\$ 2,235	\$ 268,320	\$ -	\$ 90,619	\$ 361,174
Accrued liabilities	116,792	90,385	123,928	83,437	4,036	418,578
Due to other funds (Note 6)	165,246	-	-	-	-	165,246
Deferred revenue (Note 5)	<u>-</u>	<u>223,331</u>	<u>145,075</u>	<u>74,236</u>	<u>98,604</u>	<u>541,246</u>
Total liabilities	282,038	315,951	537,323	157,673	193,259	1,486,244
Fund Balances (Deficit)						
General Fund	60,195	-	-	-	-	60,195
Special Revenue Funds	<u>-</u>	<u>(11,349)</u>	<u>(137,418)</u>	<u>(12,403)</u>	<u>(94,536)</u>	<u>(255,706)</u>
Total fund balances (deficit)	<u>60,195</u>	<u>(11,349)</u>	<u>(137,418)</u>	<u>(12,403)</u>	<u>(94,536)</u>	<u>(195,511)</u>
Total liabilities and fund balances (deficit)	<u>\$ 342,233</u>	<u>\$ 304,602</u>	<u>\$ 399,905</u>	<u>\$ 145,270</u>	<u>\$ 98,723</u>	<u>\$ 1,290,733</u>
Fund Balance (Deficit) - Total Governmental Funds						\$ (195,511)
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						215,430
Grant receivables not received within 60 days of year end are not available to pay for current year expenditures						<u>254,844</u>
Net Assets - Governmental Activities						\$ 274,763

Downriver Community Conference

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2005

	Major Funds					Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weather- ization Fund	Transpor- tation Fund	
Revenue						
Federal grants	\$ -	\$ 3,489,623	\$ 3,452,305	\$ 543,594	\$ 264,907	\$ 7,750,429
State and local grants	192,402	1,693,598	179,757	178,650	14,222	2,258,629
Membership assessments	83,125	-	-	-	-	83,125
Charges for services	25,543	-	15,064	-	27,113	67,720
Contributions	20,703	-	-	-	-	20,703
Other	64,197	2,960	-	-	-	67,157
Total revenue	385,970	5,186,181	3,647,126	722,244	306,242	10,247,763
Expenditures						
Wages	22,429	2,517,108	194,233	133,361	179,952	3,047,083
Fringe benefits	4,045	782,229	48,356	24,597	67,045	926,272
Contracted services	170,194	438,686	2,516,353	411,552	969	3,537,754
Building rent and maintenance	35,802	692,694	27,295	31,065	23,581	810,437
Professional fees	2,459	179,715	130,304	11,757	5,965	330,200
Capital outlay	13,742	81,821	44,001	3,725	3,880	147,169
Other	114,956	460,458	36,399	79,447	73,854	765,114
Total expenditures	363,627	5,152,711	2,996,941	695,504	355,246	9,564,029
Excess of Revenue Over (Under) Expenditures	22,343	33,470	650,185	26,740	(49,004)	683,734
Other Financing Sources (Uses)						
Transfers in (Note 6)	13,262	-	968	-	-	14,230
Transfers out (Note 6)	-	(14,230)	-	-	-	(14,230)
Total other financing sources (uses)	13,262	(14,230)	968	-	-	-
Net Change in Fund Balances	35,605	19,240	651,153	26,740	(49,004)	683,734
Fund Balances (Deficit) - Beginning of year	24,590	(30,589)	(788,571)	(39,143)	(45,532)	(879,245)
Fund Balances (Deficit) - End of year	<u>\$ 60,195</u>	<u>\$ (11,349)</u>	<u>\$ (137,418)</u>	<u>\$ (12,403)</u>	<u>\$ (94,536)</u>	<u>\$ (195,511)</u>

Downriver Community Conference

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	683,734
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		(2,935)
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Loss on proceeds on sale of capital assets is not reported in the governmental funds		(1,897)
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)		(668,241)
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Change in Net Assets of Governmental Activities	\$	<u>10,661</u>
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Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Net Assets (Deficit) September 30, 2005

	Internal Service Fund - Building and Equipment Fund
Assets	
Current assets:	
Rent receivable	\$ 16,620
Due from other governmental units	<u>16,198</u>
Total current assets	32,818
Noncurrent assets:	
Restricted assets	232,800
Capital assets	<u>1,751,341</u>
Total noncurrent assets	<u>1,984,141</u>
Total assets	2,016,959
Liabilities	
Current liabilities:	
Bank overdraft	201,828
Current portion of note payable	155,213
Accrued and other liabilities	24,182
Security deposits	<u>33,481</u>
Total current liabilities	414,704
Note payable - Net of current portion	<u>1,823,500</u>
Total liabilities	<u>2,238,204</u>
Net Assets (Deficit)	
Investment in capital assets - Net of related debt	(227,372)
Restricted for capital and debt	232,800
Unrestricted	<u>(226,673)</u>
Total net assets (deficit)	<u>\$ (221,245)</u>
Internal Service Fund net deficit allocable to business-type activities	\$ (221,245)
Internal Service Fund net deficit allocable to governmental activities	-

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended September 30, 2005

Operating Revenue

Maintenance fees	\$ 662,350
Rent	<u>410,090</u>

Total operating revenue 1,072,440

Operating Expenses

Wages	245,854
Fringe benefits	75,531
Professional fees	14,706
Maintenance and repairs	165,394
Depreciation	179,080
Other	<u>226,819</u>

Total operating expenses 907,384

Operating Income 165,056

Nonoperating Revenue (Expense)

Investment income	4,715
Interest expense	<u>(130,777)</u>

Total nonoperating expense (126,062)

Change in Net Assets 38,994

Net Assets (Deficit) - Beginning of year (260,239)

Net Assets (Deficit) - End of year \$ (221,245)

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Cash Flows Year Ended September 30, 2005

Cash Flows from Operating Activities

Receipts from customers	\$ 1,091,732
Payments to suppliers	(399,823)
Payments to employees	<u>(321,385)</u>

Net cash provided by operating activities 370,524

Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(16,365)
Principal and interest paid on capital debt	<u>(274,538)</u>

Net cash used in capital and related financing activities (290,903)

Cash Flows from Noncapital Financing Activities - Increase in bank overdraft (52,781)

Cash Flows from Investing Activities - Interest income received 4,715

Net Increase in Cash and Cash Equivalents 31,555

Cash and Cash Equivalents - Beginning of year 201,245

Cash and Cash Equivalents - End of year \$ 232,800

Balance Sheet Classification of Cash and Cash Equivalents

Cash and investments	\$ -
Restricted assets	<u>232,800</u>

Total cash and cash equivalents \$ 232,800

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 165,056
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	179,080
Changes in assets and liabilities:	
Receivables	35,490
Due from other governmental units	(16,198)
Accrued and other liabilities	<u>7,096</u>

Net cash provided by operating activities \$ 370,524

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Downriver Community Conference (DCC) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Reporting Entity

DCC is organized as an interlocal public agency formed under Public Act 7 of 1967 and is comprised of 19 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments charged to member communities and grants through various state and federal agencies. Revenue is used to fund benefits and programs for the member communities as well as for additional areas assigned by grantors. DCC's financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DCC has excluded Downriver Mutual Aid from this report since DCC does not exercise substantial oversight responsibility. Downriver Mutual Aid's financial statements will be issued under separate cover.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the activities of DCC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by member assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on rental fees for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as general revenue.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DCC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DCC reports the following major governmental funds:

General Fund - The General Fund is DCC's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Employment and Training - The Employment and Training Special Revenue Fund accounts for the revenue and expenditures of federal and state employment and training grant programs. These programs include Work First and Reed Act programs, Workforce Investment Act programs, Employment Service programs, HIB program, and other smaller miscellaneous training grants.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2005**

Note 1 - Summary of Significant Accounting Policies (Continued)

Economic Development - The Economic Development Special Revenue Fund accounts for the revenue and expenditures of federal and state economic development grant programs. These programs include the Auto Alliance program, Department of Defense programs, and specific economic development programs associated with local downriver companies.

Weatherization - The Weatherization Special Revenue Fund accounts for the revenue and expenditures of federal and state grant programs. These programs include Department of Energy, Low Income Housing Energy Assistance Programs, Weatherization Assistance programs, and Client Education programs.

Transportation - The Transportation Special Revenue Fund accounts for the revenue and expenditures of federal, state, and local grant programs. These programs include the Job Access Reverse Commute program, Taylor transportation services, Dearborn Heights transportation services, SMART specialized services, and homeless coalition services.

Additionally, DCC reports the following fund type:

Internal Service Fund - Building and Equipment Fund - The Building and Equipment Internal Service Fund accounts for building and equipment purchases and maintenance that get charged to both DCC grant programs as well as outside tenants.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. DCC has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to rental revenue and maintenance fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets - Capital assets, which include buildings, improvements, and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by DCC as assets with an initial individual cost of more than \$5,000 for the Building and Equipment Fund and \$500 for the governmental funds and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	5-20 years
Furniture and equipment	3-5 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets (deficit).

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Federal Income Taxes - DCC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Fund Deficits - DCC has accumulated fund deficits in the following individual funds: Employment and Training Fund of approximately \$11,000, Economic Development Fund of approximately \$137,000, Weatherization Fund of approximately \$12,000, and Transportation Fund of approximately \$95,000. Each of these deficits are mainly a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DCC is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DCC has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. Downriver Community Conference's deposits and investment policies are in accordance with statutory authority.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 3 - Deposits and Investments (Continued)

Downriver Community Conference's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, Downriver Community Conference's deposits may not be returned to it. Downriver Community Conference does not have a deposit policy for custodial credit risk. At year end, DCC had approximately \$875,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DCC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DCC evaluates each financial Institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DCC's investment policy does not further limit its investment choices. As of year end, Downriver Community Conference had approximately \$18,000 invested in mutual funds that were unrated.

Note 4 - Capital Assets

Capital asset activity of DCC's governmental activities was as follows:

	Balance October 1, 2004	Additions	Disposals and Adjustments	Balance September 30, 2005
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 388,000	\$ -	\$ -	\$ 388,000
Capital assets being depreciated:				
Buildings and improvements	3,386,559	16,365	-	3,402,924
Furniture and equipment	864,211	81,940	(256,463)	689,688
Subtotal	4,250,770	98,305	(256,463)	4,092,612
Accumulated depreciation:				
Buildings and improvements	1,860,502	179,080	-	2,039,582
Furniture and equipment	643,950	84,875	(254,566)	474,259
Subtotal	2,504,452	263,955	(254,566)	2,513,841
Net capital assets being depreciated	1,746,318	(165,650)	(1,897)	1,578,771
Net capital assets	\$ 2,134,318	\$ (165,650)	\$ (1,897)	\$ 1,966,771

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 6,784
Employment and training	75,778
Economic development	543
Weatherization	1,770
Internal Service Fund depreciation - Charged to the various functions based on their usage of the asset	<u>179,080</u>
Total governmental activities	<u>\$ 263,955</u>

Note 5 - Deferred Revenue

Deferred revenue at September 30, 2005 is as follows:

	Advances on	Revenue Not Available to Finance Current	
	Grants	Expenditures	Total
Major funds:			
Employment and Training Fund	\$ 199,491	\$ 23,840	\$ 223,331
Economic Development Fund	22,396	122,679	145,075
Weatherization Fund	61,833	12,403	74,236
Transportation Fund	<u>2,682</u>	<u>95,922</u>	<u>98,604</u>
Total	<u>\$ 286,402</u>	<u>\$ 254,844</u>	<u>\$ 541,246</u>

Advances on Grants - DCC receives funds from federal and state governments under various acts to enable DCC to conduct special programs. Funds received and unexpended as of September 30, 2005 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 5 - Deferred Revenue (Continued)

Revenue Not Available to Finance Current Expenditures - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements that were not received within 60 days of year end. Receipt of these reimbursements will alleviate a significant portion of the fund deficits.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of the interfund balance is as follows:

Receivable Fund	Payable Fund	Amount
Economic Development Fund	General Fund	\$ 163,700
Employment and Training Fund	General Fund	1,242
Weatherization Fund	General Fund	<u>304</u>
	Total	<u>\$ 165,246</u>

The balance between the Economic Development Fund and the General Fund is a result of disallowed costs from a Revolving Loan Fund from the late 1980s. The Employment and Training and Weatherization interfunds are a result of a timing difference due to a voided payroll check issued before September 30, but voided after October 1.

The interfund transfers reported in the fund financial statements are comprised of the following for operating purposes:

Fund Providing Resources	Fund Receiving Resources	Amount
Employment and Training Fund	General Fund	\$ 13,262
Employment and Training Fund	Economic Development Fund	<u>968</u>
	Total	<u>\$ 14,230</u>

The transfers to the General Fund and the Economic Development Fund from the Employment and Training Fund were operating transfers for various purposes.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 7 - Long-term Debt

Effective May 2, 2003, DCC entered into a promissory note with a bank for \$2,300,000. This note has a stated interest rate of 6.27 percent and is collateralized by the building and assignment of leases. The balance of the note at September 30, 2005 is \$1,978,713. The note requires monthly principal and interest payments of \$22,878 until May 2, 2008. The balance of the building note is payable May 2, 2008.

	Interest Rate	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Building note:					
Amount of issue: \$2,300,000					
Maturing through 2008					
	6.27%	\$ 2,122,474	\$ (143,761)	\$ 1,978,713	\$ 155,213

Annual debt service requirements to maturity for the above note are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 155,213	\$ 119,325	\$ 274,538
2007	165,229	109,309	274,538
2008	1,658,271	78,055	1,736,326
Total	\$ 1,978,713	\$ 306,689	\$ 2,285,402

Note 8 - Restricted Assets

Restricted assets recorded in the Building and Equipment Fund at September 30, 2005 consisted of funds maintained in a separate Building and Equipment Fund bank account. Under an agreement with the bank dated December 31, 1997, DCC must deposit \$3,065 per month into the account in addition to the principal and interest requirements. DCC is required to maintain a balance in the account of at least \$35,000. If the balance falls below \$35,000 due to bank-approved withdrawals, the balance is to be replenished through subsequent monthly deposits. The balance in this account is \$232,800.

Downriver Community Conference

Notes to Financial Statements September 30, 2005

Note 9 - Risk Management

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DCC has purchased commercial insurance for these claims. DCC is also exposed to various risks of loss related to medical benefits provided to employees. DCC is partially self-insured for these claims. DCC is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2005 was \$20,628. DCC management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

DCC is highly dependent on federal and state grants. Any significant loss of grant funding could negatively impact DCC's ongoing operations as the grants are needed to cover significant administrative costs.

Note 10 - Related Party Transactions

DCC performs administrative and accounting services for Downriver Mutual Aid, a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2005, there were immaterial transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid.

Note 11 - Employee Benefits

Per Board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2005, employees' contributions and employer's contributions were approximately \$207,000 and \$100,000, respectively.

Required Supplemental Information

Downriver Community Conference

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 47,675	\$ 24,590	\$ 24,590	\$ -
Resources (Inflows)				
State and local grants	197,491	197,491	192,402	(5,089)
Membership assessments	87,875	83,125	83,125	-
Charges for services	56,600	31,500	25,543	(5,957)
Interest	110	292	-	(292)
Contributions	12,700	17,680	20,703	3,023
Other	58,000	56,000	64,197	8,197
Transfers from other funds	-	11,460	13,262	1,802
Total resources (inflows)	412,776	397,548	399,232	1,684
Expenditures (Outflows)				
Wages	40,548	26,248	22,429	3,819
Fringe benefits	11,039	7,290	4,045	3,245
Contracted services	197,368	192,368	170,194	22,174
Building rent and maintenance	32,400	35,285	35,802	(517)
Professional fees	15,725	12,282	2,459	9,823
Capital outlay	-	12,752	13,742	(990)
Other	109,812	106,946	114,956	(8,010)
Transfers to other funds	1,496	-	-	-
Total expenditures (outflows)	408,388	393,171	363,627	29,544
Fund Balance (Deficit) - End of year	\$ 52,063	\$ 28,967	\$ 60,195	\$ 31,228

Downriver Community Conference

Note to Required Supplemental Information September 30, 2005

Note - Budgetary Information

The annual budget is prepared by DCC management and adopted by the board of directors on a line item basis. Subsequent amendments are approved by the board of directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America other than budgetary transfers in as revenue rather than other financing sources.

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget. The Employment and Training, Economic Development, Weatherization, and Transportation Funds have been budgeted; however, those budgets are prepared on a program year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the required supplemental information.

Excess of Expenditures Over Appropriations in the Budgeted Funds - The General Fund had expenditures greater than budget in capital outlay and other expenditure categories related to expenses not budgeted for by DCC.

Downriver Community Conference

**Federal Awards
Supplemental Information
September 30, 2005**

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the basic financial statements of Downriver Community Conference for the year ended September 30, 2005 and have issued our report thereon dated January 9, 2006. Those basic financial statements are the responsibility of the management of Downriver Community Conference. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Downriver Community Conference taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 9, 2006

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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Downriver Community Conference

We have audited the financial statements of Downriver Community Conference as of and for the year ended September 30, 2005 and have issued our report thereon dated January 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Downriver Community Conference's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downriver Community Conference's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Downriver Community Conference in a separate letter dated January 9, 2006.

To the Board of Directors
Downriver Community Conference

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 9, 2006

Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

To the Board of Directors
Downriver Community Conference

Compliance

We have audited the compliance of Downriver Community Conference with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The major federal programs of Downriver Community Conference are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Downriver Community Conference's management. Our responsibility is to express an opinion on Downriver Community Conference's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Downriver Community Conference's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Downriver Community Conference's compliance with those requirements.

In our opinion, Downriver Community Conference, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-02, 2005-03, 2005-04, and 2005-05.

To the Board of Directors
Downriver Community Conference

Internal Control Over Compliance

The management of Downriver Community Conference is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Downriver Community Conference's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Downriver Community Conference's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 9, 2006

Downriver Community Conference

Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services - Passed through the Michigan Department of Social Services - Weatherization - LIHEAP	93.568	\$ 221,645
U.S. Department of Energy - Passed through the Michigan Department of Social Services:		
Weatherization 04-05	81.042	249,828
Weatherization 05-06	81.042	57,033
Total U.S. Department of Energy		306,861
U.S. Department of Labor:		
HIB	17.261	530,168
TAA/NAFTA	17.245	30,276
Auto Alliance	17.257	2,648,720
Passed through the Michigan Department of Labor, Bureau of Employment and Training - Passed through the Southeastern Michigan Community Alliance:		
Supportive services	93.558	31,707
Work First	93.561	1,451,784
Work First - Food stamps	93.561	6,360
WIA Cluster:		
Adult 04-05	17.258	202,767
Adult 05-06	17.258	82,720
Dislocated Worker 04-05	17.260	338,733
Dislocated Worker 05-06	17.260	157,993
Displaced Homemaker	17.258	54,512
Youth	17.259	228,460
Total passed through the Michigan Department of Labor, Bureau of Employment and Training		5,764,200
Passed through the Michigan Department of Career Development - Passed through the Southeastern Michigan Community Alliance - Reed Act (included as part of the WIA Cluster)	17.260	300,757
Total U.S. Department of Labor		6,064,957
U.S. Department of Defense - Procurement Technical Outreach Grant	12.001	118,698
U.S. Department of Transportation - Passed through the Federal Transit Administration - Passed through Detroit Employment and Training - Passed through Easy Ride - JARC	20.Unknown	294,137

Downriver Community Conference

Schedule of Expenditures of Federal Awards (Continued) **Year Ended September 30, 2005**

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency:		
Superfund Innovative Technology Evaluation	66.807	\$ 112,721
Brownfield Petroleum Grant	66.818	22,692
Brownfields Training Research and Technical Agreements	66.814	579
Smart Growth	66.611	<u>386</u>
Total U.S. Environmental Protection Agency		<u>136,378</u>
Total federal awards		<u>\$ 7,142,676</u>

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Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 7,750,429
Less revenue received in the current year related to prior year expenditures	(815,184)
Add revenue not available to finance expenditures of the current period (GASB No. 33)	<u>207,431</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 7,142,676</u>

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Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downriver Community Conference and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
U.S. Department of Labor Auto Alliance	17.257	\$ 2,408,481

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Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
81.042	Weatherization
93.561	Work First
17.257	Auto Alliance
17.261	HIB

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

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Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2005-01	<p>Program Name - U.S. Department of Labor HIB #17.261</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - HIB grant level of effort program goals require a 70 percent placement level for unemployed trainees, a wage increase for 85 percent of the employed trainees, a 7 percent average wage increase for employed trainees, and skill certifications for 85 percent of total trainees.</p> <p>Condition - DCC did not meet the level of effort requirements for the HIB grant.</p> <p>Questioned Costs - Unknown</p> <p>Context - The placement level for unemployed trainees was 50 percent, the number of employed trainees that received wage increases was 45 percent, the average wage increase for employed workers was 6 percent, and 5 percent of trainees received skill certifications.</p> <p>Cause and Effect - DCC did not meet the program goals for the HIB 2004-2005 program year, resulting in noncompliance with the grant agreement.</p> <p>Recommendation - The HIB grant ended during the year. However, DCC should continue efforts to meet level of effort requirements for current and future grants.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCC did not meet the level of effort program goals. While the HIB grant ended April 2005, DCC will continue efforts to meet programmatic goals for current and future grants.</p>

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Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2005-02	<p>Program Name - U.S. Department of Labor HIB #17.261</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - HIB grant program requires that eligible participants reside in Wayne, Monroe, Washtenaw, Oakland, or Macomb County, and are U.S. citizens or possess a green card.</p> <p>Condition - DCC admitted a participant into the HIB training program that was not a U.S. citizen and did not possess a green card.</p> <p>Questioned Costs - One of the 25 participants selected for testing was not eligible to participate in the program. Training costs incurred for the ineligible participant were \$1,575. There were 248 participants in the program during the 2004-2005 program year.</p> <p>Context - An ineligible participant received training for the 2004-2005 program year.</p> <p>Cause and Effect - DCC failed to identify that the participant was ineligible and admitted the individual into the training program.</p> <p>Recommendation - The HIB grant ended during the year. However, DCC should ensure all applicants meet eligibility requirements before allowing participation in future grant programs.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCC admitted a participant into the HIB training program that was not a U.S. citizen and did not possess a green card. DCC is seeking reimbursement from the company for whom the ineligible participant works. DCC will ensure all applicants meet eligibility requirements before allowing participation in future grant programs.</p>

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2005-03	<p>Program Name - U.S. Department of Labor HIB #17.261</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The HIB grant agreement contains a 50 percent matching requirement for employers participating in the program.</p> <p>Condition - DCC did not meet the matching requirement, but indicated verbal approval was received from the Department of Labor to allow for a lesser match.</p> <p>Questioned Costs - Unknown</p> <p>Context - The amount paid by participating employers for training programs was less than 50 percent of the total amount spent.</p> <p>Cause and Effect - DCC did not meet the matching requirement and was unable to provide documentation to support allowability for a lesser match.</p> <p>Recommendation - The HIB grant ended during the year. However, DCC should continue efforts to meet matching requirements for current and future grants.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCC did not meet the 50 percent matching requirement. The HIB grant ended in April 2005. However, with current and future funding, DCC will continue efforts to meet matching requirements.</p>

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Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2005-04	<p>Program Name - U.S. Department of Labor Workfirst #93.561</p> <p>Pass-through Entity - Michigan Department of Labor, Bureau of Employment and Training passed through the Southeastern Michigan Community Alliance</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Work First grant level of effort requirements include a provision that a 72 percent placement level be obtained, a 72 percent retention rate be obtained, a cost per placement not to exceed \$1,200, and an average wage of \$7.95/hour per placement be met.</p> <p>Condition - DCC met the average wage rate requirement but did not meet the remaining level of effort requirements for the Work First grant.</p> <p>Questioned Costs - Unknown</p> <p>Context - The placement and retention level for the 2004-2005 program year for DCC was less than 72 percent and the cost per placement exceeded \$1,200 per participant.</p> <p>Cause and Effect - DCC did not meet the program goals for placement level, retention rate, and average cost per participant for the 2004-2005 program year, resulting in noncompliance with the grant agreement.</p> <p>Recommendation - DCC should continue efforts to meet the program goals of the Work First program during the 2005-2006 program year.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCC did not meet the program goals for placement level, retention rate, and average cost per participant for the 2004-2005 program year. DCC will focus on meeting program goals for the 2005-2006 fiscal year. Management and employees of the department will work more closely with other providers, FIA offices, and SEMCA to further uncover hidden barriers that will enable the department to better place the customer. In addition, goals have been lowered region-wide as a result of the difficulty of attaining goals in previous years.</p>

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2005-05	<p>Program Name - U.S. Department of Labor Auto Alliance #17.257</p> <p>Finding Type - Material noncompliance; material weakness</p> <p>Criteria - The Auto Alliance grant agreement requires DCC to verify that companies or individuals are not suspended, debarred, or otherwise excluded for those that receive payment in excess of \$25,000.</p> <p>Condition - DCC did not verify that companies or individuals were suspended, debarred, or otherwise excluded prior to payment.</p> <p>Questioned Costs - None</p> <p>Context - DCC did not verify that companies or individuals were suspended, debarred, or otherwise excluded prior to payment. However, during the audit, DCC reviewed the excluded parties' list system and determined that no payments were made during the year to ineligible parties.</p> <p>Cause and Effect - DCC did not meet the suspension and debarment grant requirements for the 2004-2005 program year.</p> <p>Recommendation - DCC should establish ongoing procedures to ensure compliance with suspension and debarment grant requirements.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCC did not verify that companies were suspended, debarred, or otherwise excluded prior to payment. DCC did not verify that companies were suspended, debarred, or otherwise excluded prior to payment.</p>



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January 9, 2006

To the Members of the Board
and Management
Downriver Community Conference
15100 Northline Road
Southgate, MI 48195

Dear Members of the Board and Management:

We recently completed the audit of the Downriver Community Conference (DCC) for the year ended September 30, 2005. As part of the audit, and in addition to the financial and compliance report, we offer the following comments and suggestions for your consideration:

Financial Status of Funds

Grants

The following table reflects deficits in the grant funds:

	Fund Deficit	GASB 33 Deferral	True Net Operating Deficit
Employment and training	\$ 11,349	\$ 23,840	\$ -
Economic development	137,418	122,679	14,739
Weatherization	12,403	12,403	-
Transportation	94,536	95,922	-

Due to GASB 33, DCC is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. Therefore, all grant reimbursements not received by November 30, 2005 are not recognized as revenue for the year under audit. In addition, amounts that were deferred in the prior year due to the GASB 33 implementation were recognized as income in the current year. In an effort to minimize deficits related to this pronouncement, DCC should continue to aggressively submit timely requests for reimbursements.

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Grant Funding Sources

As DCC continues to look toward the future, DCC should keep in mind that due to its dependency on grant monies, loss of funding could significantly impact operations as the grants are needed to cover significant administration costs. We would encourage DCC to continue pursuing new grant opportunities.

Consolidated Municipal Services

It is our understanding that DCC and its member communities are considering consolidating certain municipal services. Given the difficult economic environment facing governmental entities, we encourage DCC to work with its communities to identify potential cost-sharing opportunities. We would be pleased to offer our assistance in determining the potential cost and viability of this endeavor.

Other Items

As a result of our audit, we offer the following accounting-related suggestions for your consideration:

- The Family Independence Agency (FIA) conducted a site visit of the Weatherization grant program during the 2004/2005 fiscal year. The report on the site review included recommendations for accurately calculating income for participant eligibility and determining the number of units completed. We encourage DCC to review its procedures related to the FIA's recommendations to ensure grant compliance.
- The Welfare to Work program has a deferred revenue balance of approximately \$44,000 for grant revenue that was advanced in prior years that remains unspent. DCC management plans to review the prior year's program expenses to ensure all possible costs were charged to the grant. We encourage DCC to timely review the matter and ensure that any remaining unspent funds are distributed to the appropriate entity.
- We noted that DCC did not maintain records to support the quarterly performance reports submitted for the HIB program. As a result, DCC had to regenerate the supporting documentation in order for us to perform the required audit procedures. We encourage DCC to review its record retention policy and ensure all necessary documentation is maintained in accordance with the policy.

January 9, 2006

- As part of our SAS 99 fraud risk inquiries, it came to our attention that during the year a DCC employee in effect stole a number of computers and computer parts. DCC management discovered the loss and the employee was terminated. While the majority of the assets were fully depreciated, we encourage DCC to review procedures for safeguarding assets to protect against potential misappropriation of assets in the future.
- Under an agreement with the bank, DCC is required to maintain a capital reserve account balance of \$35,000 to provide funding for repairs on DCC's building. The reserve account balance is currently \$232,800 and is maintained in a money market account. DCC may consider reviewing its investment policy to determine if opportunities exist to maximize investment earnings on the reserve.

Thank you for the opportunity to serve the Downriver Community Conference. We would like to extend our appreciation to your staff for the courtesy extended to us during the audit. Please contact us if you would like to discuss any of the matters mentioned above.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Stacey L. Reeves